

India

ADD (no change)

Consensus ratings*:	Buy 1	Hold 0	Sell 0
Current price:	Rs180		
Target price:	Rs359 ▲		
Previous target:	Rs352		
Up/downside:	99.4%		
InCred Research / Consensus:	2.0%		
Reuters:			
Bloomberg:	GULP IN		
Market cap:	US\$155m		
	Rs11,243m		
Average daily turnover:	US\$1.4m		
	Rs98.9m		
Current shares o/s:	62.4m		
Free float:	33.3%		
*Source: Bloomberg			

Key changes in this note

- Revise PAT estimates by (4.7)% /1.7%/ 1.5% for FY25F/26F/27F, respectively.



Price performance	1M	3M	12M
Absolute (%)	(16.0)	(2.7)	(11.7)
Relative (%)	(12.1)	0.9	(25.1)

Major shareholders	% held
Promoter & Promoter Group	66.7

Research Analyst(s)

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Gulshan Polyols Ltd

Moving ahead with fully expanded capacity

- Gulshan Polyols has operationalized its additional 750klpd of distillation capacity, turning itself into a giant in the domestic industry.
- However, its grain processing division for starch-based derivatives is expected to continue witnessing a severe downturn throughout FY25F.
- Retain ADD rating on the stock with a marginally higher target price of Rs359.

Distillation segment's performance

Gulshan Polyols (GPL) third ethanol facility was ramped up in 2QFY25, leading to a massive 136% yoy increase in its topline to Rs2,243m and a whopping LTP (loss to profit) yoy EBIT at Rs58m. In 2QFY25, although its third ethanol plant in Assam was ramped up, a huge production uptick is expected only after the new ethanol supply year or ESY25F commences. For the ESY25F tender, GPL will figure among the largest distillers with an 810klpd capacity. We expect the company to top the Rs3,000m mark in the distillation segment in 3QFY25F.

Grain segment's performance

The grain segment reported a 1.2% higher yoy topline at Rs1,903m but the larger hit was on the bottom-line, with EBIT showing a 1.4% loss. The segment moved deep into the red and, in our view, is going to remain there in FY25F. With a collapse of spreads in the starch industry due to the fall in international maize prices and increase in domestic maize prices, FY25F performance is likely to be painful. However, losses in the segment should start declining going ahead.

Change in our earnings estimates

We have revised our EPS estimates for GPL by (4.7)% /1.7% /1.5% for FY25F/26F/27F, respectively, mainly building in 150bp of energy costs savings due to a better fuel stock outlook for FY26F & FY27F. If there is a price hike in ESY25F, every Rs2 increase in ethanol procurement price will result in a Re1 increase in profitability per litre and hence, with 70mL (million litre) of sales likely in the rest of FY25F, PBT of the company could increase by Rs70m.

Retain ADD rating on the stock with a slightly higher TP of Rs359

We retain our ADD rating on GPL with a marginally higher target price of Rs359 (Rs352 earlier) or 10x FY26F EPS. We have not considered any incentives from state governments towards ethanol schemes in our calculations. Downside risks: Maize will be mainly used to produce ENA /ethanol going ahead and any rise in its prices will directly impact the gross profit. Also, final product prices are decided by state/central governments and/or OMCs (oil marketing companies) and hence, profitability also depends on the prices fixed by them.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	11,797	13,780	21,192	32,232	33,492
Operating EBITDA (Rsm)	880	581	1,472	3,787	4,103
Net Profit (Rsm)	455	178	645	2,237	2,519
Core EPS (Rs)	8.8	3.4	11.3	35.9	40.4
Core EPS Growth	(48.0%)	(60.8%)	228.7%	217.8%	12.6%
FD Core P/E (x)	20.59	52.52	15.97	5.03	4.46
DPS (Rs)	1.6	0.9	0.2	0.4	1.4
Dividend Yield	0.49%	0.10%	0.23%	0.80%	0.90%
EV/EBITDA (x)	13.40	22.71	9.92	3.98	3.01
P/FCFE (x)	(9.44)	25.00	(16.63)	55.79	23.27
Net Gearing	42.1%	64.6%	65.6%	44.2%	10.0%
P/BV (x)	1.63	1.58	1.72	1.29	1.01
ROE	8.2%	3.1%	10.3%	29.3%	25.4%
% Change In Core EPS Estimates			(0.42%)	(0.06%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: 2QFY25 results

Rs m	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
Revenue From Operations	4,405	3,078	43.1%	4,546	-3.1%
Cost of Goods Sold	3,043	1,863	63.3%	3,042	0.0%
Employee Expenses	106	80	32.6%	85	24.1%
Other Expenses	1,094	973	12.4%	1,183	-7.5%
EBITDA	162	162	0.1%	235	-31.0%
Depreciation	81	95	-15.3%	84	-4.3%
EBIT	82	67	21.9%	151	-45.9%
Other Income	12	40	-70.9%	22	-46.9%
Interest Expenses	75	39	89.8%	43	74.1%
Profit Before Tax	19	67	-72.4%	130	-85.7%
Tax Expenses	6	45	-85.8%	33	-80.5%
PAT	12	22	-45.4%	97	-87.4%
Key Ratios	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
EBITDA Margin	3.7%	5.3%	-159bp	5.2%	-149bp
EBIT Margin	1.9%	2.2%	-32bp	3.3%	-146bp
PBT Margin	0.4%	2.2%	-177bp	2.9%	-243bp
PAT Margin	0.3%	0.7%	-45bp	2.1%	-186bp
Tax Rate	34.4%	66.9%	-3,246bp	25.3%	908bp
Segment Revenue	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
Ethanol / Distillery	2,243	949	136.4%	2,457	-8.7%
Grain Processing	1,903	1,881	1.2%	1,796	5.9%
Mineral Processing	259	249	4.3%	293	-11.5%
Segment EBIT	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
Ethanol / Distillery	58	-6	NA	165	NA
Grain Processing	-27	22	NA	-70	NA
Mineral Processing	52	52	0.1%	59	-11.7%
Segment EBIT %	2QFY25	2QFY24	% YoY	1QFY25	% QoQ
Ethanol / Distillery	2.6%	-0.6%	317bp	6.7%	-414bp
Grain Processing	-1.4%	1.2%	-259bp	-3.9%	248bp
Mineral Processing	19.9%	20.8%	-83bp	20.0%	-6bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Rsm	Old estimates			New estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	22,407	32,232	33,492	21,192	32,232	33,492	-5.4%	0.0%	0.0%
EBITDA	1,577	3,787	4,103	1,472	3,787	4,103	-6.6%	0.0%	0.0%
EBITDA Margin (%)	7.0%	11.8%	12.3%	6.9%	11.8%	12.3%	-9bp	0bp	0bp
PAT	677	2,199	2,481	645	2,237	2,519	-4.7%	1.7%	1.5%
EPS (Rs)	10.9	35.2	40	10.3	35.9	40.4	-4.7%	1.7%	1.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our key assumptions

Key assumptions	FY25F	FY26F	FY27F
Bulk alcohol sales (in mL or million litre)	139	243	267
DDGS (Rs/kg)	15	15	17
Ethanol (Rs/L)	73	73	72

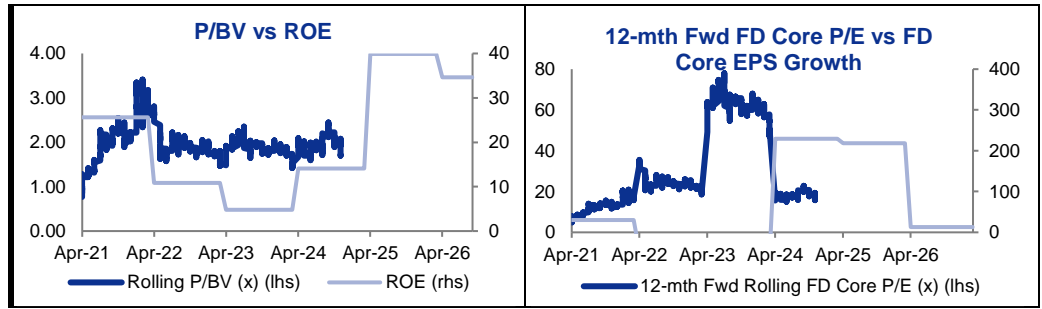
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: One-year forward P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	11,797	13,780	21,192	32,232	33,492
Gross Profit	4,811	4,945	7,643	13,538	14,402
Operating EBITDA	880	581	1,472	3,787	4,103
Depreciation And Amortisation	(287)	(324)	(416)	(570)	(570)
Operating EBIT	593	257	1,056	3,217	3,533
Financial Income/(Expense)	9	21	(178)	(174)	(105)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	602	279	878	3,043	3,427
Exceptional Items					
Pre-tax Profit	602	279	878	3,043	3,427
Taxation	(147)	(100)	(233)	(806)	(908)
Exceptional Income - post-tax					
Profit After Tax	455	178	645	2,237	2,519
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	455	178	645	2,237	2,519
Recurring Net Profit	455	178	645	2,237	2,519
Fully Diluted Recurring Net Profit	455	178	645	2,237	2,519

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	880	581	1,472	3,787	4,103
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(554)	172	(1,481)	(2,205)	(252)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	9	21	(178)	(174)	(105)
Tax Paid	(147)	(100)	(233)	(806)	(908)
Cashflow From Operations	188	674	(420)	602	2,838
Capex	(2,541)	(2,499)			
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(2,541)	(2,499)			
Debt Raised/(repaid)	1,360	2,200	(200)	(400)	(2,355)
Proceeds From Issue Of Shares			10		
Shares Repurchased					
Dividends Paid	(45)	(9)	(26)	(89)	(101)
Preferred Dividends					
Other Financing Cashflow	(61)	(101)	(232)	(214)	(145)
Cash Flow From Financing	1,253	2,090	(447)	(703)	(2,600)
Total Cash Generated	(1,100)	265	(867)	(102)	237
Free Cashflow To Equity	(993)	375	(620)	202	483
Free Cashflow To Firm	(2,292)	(1,725)	(188)	816	2,983

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	58	854	181	238	614
Total Debtors	1,416	1,654	2,544	3,870	4,021
Inventories	1,574	1,838	2,827	4,300	4,468
Total Other Current Assets	745	207	318	483	502
Total Current Assets	3,793	4,553	5,871	8,891	9,605
Fixed Assets	2,759	5,214	7,299	6,728	6,158
Total Investments	254	4	4	4	4
Intangible Assets					
Total Other Non-Current Assets	3,075	2,569	106	161	167
Total Non-current Assets	6,087	7,787	7,408	6,893	6,330
Short-term Debt	1,205	1,205	1,005	605	
Current Portion of Long-Term Debt			1	2	2
Total Creditors	1,461	1,596	2,101	2,854	2,940
Other Current Liabilities	45				
Total Current Liabilities	2,710	2,801	3,107	3,460	2,942
Total Long-term Debt	1,275	3,475	3,475	3,475	1,725
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	1,275	3,475	3,475	3,475	1,725
Total Provisions	143	144	148	154	155
Total Liabilities	4,129	6,420	6,730	7,089	4,821
Shareholders Equity	5,751	5,920	6,550	8,697	11,115
Minority Interests					
Total Equity	5,751	5,920	6,550	8,697	11,115

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	7.2%	16.8%	53.8%	52.1%	3.9%
Operating EBITDA Growth	(41.5%)	(34.0%)	153.4%	157.3%	8.3%
Operating EBITDA Margin	7.5%	4.2%	6.9%	11.7%	12.3%
Net Cash Per Share (Rs)	(46.60)	(73.61)	(68.93)	(61.62)	(17.84)
BVPS (Rs)	110.64	113.90	105.01	139.44	178.21
Gross Interest Cover	9.67	2.56	4.55	15.03	24.34
Effective Tax Rate	24.4%	36.0%	26.5%	26.5%	26.5%
Net Dividend Payout Ratio	7.6%	3.2%	2.9%	2.9%	2.9%
Accounts Receivables Days	40.41	40.67	36.16	36.32	43.00
Inventory Days	69.30	70.48	62.84	69.57	83.81
Accounts Payables Days	36.10	36.01	32.10	35.54	42.82
ROIC (%)	11.3%	3.2%	10.7%	29.3%	27.8%
ROCE (%)	7.9%	2.7%	9.6%	26.7%	27.3%
Return On Average Assets	6.6%	2.3%	8.2%	22.1%	22.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.